

SPECIAL COMMITTEE ON AIRPORT ACTIVITIES

March 01, 2021

5:30 p.m.

Chairman Porter called the meeting to order.

Matthew Normand stated due to the COVID-19/Coronavirus crisis and in accordance with Governor Sununu's Emergency Order #12 pursuant to Executive Order 2020-04, this Committee is authorized to meet electronically.

The Clerk called the roll.

Present: Aldermen Porter, Cavanaugh, Stewart, Shaw

Absent: Alderman Terrio

Messrs: T. Kitchens

4. Update from Ted Kitchens, Airport Director on the following:

- COVID-19 Pandemic
- Financial
- Operations

Ted Kitchens, Airport Director, stated good evening and thank you for your time this evening. I have a short presentation as is customary to update the special committee on activities here at the Airport. We will cover the COVID-19 update, look at the pace of our recovery since the last time we met as a committee and then compare that to the full recovery scenarios I presented to the committee last time and just get a real outlook for the month of March and how the 3rd quarter has played out so far. I will touch a little bit on our financial update and operations. I

will also talk about some capital improvement projects as well as the cargo facility. If you recall we identified two phases; phase one was late spring 2019 right after the pandemic occurred all the way up through the early part of summer characterized by rapid growth from the 84 people we saw on April 9th to a little over 1000 people on July 12th. Then we enter phase two when the second wave started spreading through the southern tier and we held steady around 865 passengers. We have since moved into the third phase which started back in mid-November with the CDC issuing guidance that the population refrain from traveling during the Thanksgiving holiday and that is where we currently are. We are in this phase until vaccinations increase at a level that it starts making an appreciable difference on consumer confidence. This is how we finished 2020, I went back to January 1st to show you how well we were doing, January-February is the red line and I think we can all spot when the pandemic hit. Then you can see the rapid growth and this tapering off as we slide down in November and December and the peak that hit in the last week of December. It is interesting if you look at the macro lines, macro level trend lines, within 2019 and compare them to 2020. Absent of the dip, some of the underlying trends share the same shape and that gives us some confidence that the market is still healthy. Looking at 2020 the grey line and 2021 into the red line, you can kind of see the macro trend that almost looks like a smiley face. We came down off the peak in late December and went into the January doldrums and then started picking up again in February when the winter breaks occurred. That last data point on February 19th is the single highest day of traffic right over 1300 passengers since March 15th of last year. The question on how are we going to continue to grow and what the trend line is going to look like when we bust through the wall and get into a true year increase remains to be seen. One thing I would like to point out on the grey line above in the late February time-frame is the clustering of data you see up there. That just shows you the level of impact the First in the Nation primary had. Remember that was going on during that time-frame whereas February of this year

you kind of see more of a daily variation. That same time-frame last year we had a prolonged period of increased activity in late February associated with the First in the Nation. If you recall, we developed four recovery scenarios as a senior team back in April of last year; those are in the four grey lines. They were the fast, moderate, slow and the prolonged. All of our financials were projected on the slow recovery which is the third grey line where the box is. You can see on the red line our actual recovery to date by month with the red circles. It is spot on with the slow recovery so we are exactly where we thought we would be in this recovery. It's not where we wanted to be particularly after starting off the recovery very strong in the May-June timeframe but we are exactly where we thought we would be. If you look at that grey line it starts growing at a pretty good clip; about a 45-degree angle. You have several hockey pucks out there as I call them. Seventy percent of Americans vaccinated by March is probably not going to happen at this point. The second hockey puck is when the grants that we are receiving in federal support are projected to run out of money. I think going forward you see January and February, those last two red circles are a little bit higher than the numbers we anticipated in the slow recovery model but I think March may slide a little bit below our recovery model. That is just because the vaccinations have not gotten out fast enough to make an appreciable difference in consumer confidence. I think we will catch up as we go through the summer time-frame. April may be a little slow for us but I think May, June, July we should hopefully be able to catch up with that slow recovery model. Any questions so far? Looking forward to January, February, and March we are a little higher. We expect March to be a pretty good month for us. The blue bars on the chart on the right are the number of seats that airlines have put into the market. You can see those have stayed pretty high but our filling of the seats has slid down as we went from October to November to December. Again that has to do with all the guidance from the CDC. We expect that to rebound in March based on some of the advanced booking data that we have. We think through the end of the third

quarter our total passengers will be around 183,000. That slow recovery model had it at 165,000. So we are still a little bit above the slow recovery model and the aggregate just by having some months that are trending a little bit below that the model predicted. Concluding thoughts is our recovery has slowed. We are holding about 30% recovered which is lower than last quarter and we remain at this holding pattern through the third quarter. The national pace of vaccine deployment needs to improve and I think that the good news about Johnson & Johnson will help that but it will take a little while for them to fill their delivery pipeline. We are hopeful that will cause an increase in consumer confidence. Like we just said we are slightly above the slow recovery model. Current revenues are trending above the slow recovery model thanks to the CARES Act funding. We are getting additional CRRSAA funding with the Corona Virus Relief and Recovery Supplemental Appropriations Act, which is the \$980 billion bill which was signed just before President Trump left office. This will supplement the CARES funding we have and carry us through October 2021. Right now additional airport funding is included in the \$1.9 trillion American Rescue Plan the House just passed as was proposed by President Biden so hopefully we stay in that bill and it will get us additional debt service coverage going through next year. Federal support includes \$12.1 million in CARES Act funding of which we've drawn about \$8.3 million so we have about \$3.8 million left. We are getting a \$4.3 million CRRSAA grant that will be coming forward at not tomorrow's BMA but the next BMA to ask for approval to accept that grant. We are also getting a smaller second grant of \$180,000 to provide concessionaire relief to our concessions inside the terminal building as well as our rental cars. They were not included in the CARES Act but were able to get into the CRRSAA. They will be included if the bill that has cleared the House stays the same. 2020 financials through December; actual revenues total about \$17 Million, which is 22% below our budget. Actual expenses are \$15.2 million, 17% below budget, so we have a net revenue of \$1.8 million. If you were to take out the operational

expense savings as well as the CARES Act grant offset, we are looking at a negative \$2.7 million through the first half of the fiscal year. Generally, the second half of the fiscal year has a higher loss structure because of old man winter. This year is no different although January was really good for our snow removal budget. February took whatever savings we had in January and spent them for us. February was a tough month for us, for everybody for snow removal, just because of the number of storms that we had. Good news is that we have a net revenue but bad news is we have had to have federal assistance to help close that revenue gap. During the worst part of the pandemic we had about 437 days' cash on hand. That has remained relatively stable. We ended this calendar year with 420 days' cash on hand. That will remain stable as the CARES Act and the future CRRSAA reimbursables are received. All these are structured as reimbursable agreements. You always hear the politicians say well there is all this money that isn't spent. That is because I didn't get a big check that I could take down like Publishers Clearing House to the bank and say put this in my account. I have to spend it first then ask for reimbursement then get the reimbursement money back. It takes some time for us to draw down on the funds but like I said we about 60% of the way through the CARES Act then we will start using the CRRSAA funds sometime in the summertime. As everyone knows we entered into an agreement with Aeroterm which is a worldwide developer of cargo facilities and they own the two facilities that FEDEX is operating at the airport to develop a new cargo hangar. They have about two years to find a tenant and then up to three years to build the hangar. We don't believe it's going to take two years to find a tenant as there have been a lot of demand since the press release went out for this facility. Some questions that we have received are why that location, it looks like it blocks the terminal expansion...etc. We have plenty of capacity in the terminal now with seven gates vacant so we could easily double if not more than double our current traffic within our existing footprint. That is problem number one we need to solve before we worry about terminal expansion. Problem number two is if demand

were to exceed the capacity of the terminal we have other alternatives to expand the terminal without necessarily impacting this location. Based on some high level planning we did as a team and using my 20 years in airport planning with the majority being terminal planning, we can probably add in another 8 gates with expansion capability that would not interfere with this location. That would take our terminal building to six to seven million people being able to move through the facility on a one-way basis or a 10-12 million round trip basis in and out without impacting the facility. It will be an expansion concept and then again we first have to fill in our existing gates so we are talking about a problem that may not present itself in a 10-20 year time-frame. If we fill our existing building and our existing gates, the expansion concept would be very logical for the passenger to be able to navigate and help our concessions in a lot of ways as well. If you want to turn to the next page you can see what it's like from a different point of view. The full lot picture of Lot C is when I'll start worrying about terminal expansion. Any questions?

Chairman Porter stated I just want to make sure it's clear to the public this new cargo facility doesn't appear to, in the short term, have any impact on expansion because we still have gates we have to fill currently before any thought of expansion. I just want to make sure that was clear.

Mr. Kitchens replied absolutely. We have seven gates that are empty right now. Each gate typically, if it is highly utilized, has five flights a day in and out. On a 150-seat aircraft, 365 days a year, you could have 250,000 people outbound and 250,000 people inbound on a gate. So that is half a million people per gate. Simple math tells you if those seven gates were fully optimized or if our 15 gates were fully optimized you could have 7.5 million passengers. Last year we did about 1.6 million total. We got plenty of capacity right now in our terminal facility. We have some other things that are going on. Lot C was leased out to

Prime Automotive Group again to adapt to reuse some of our parking facilities. We stopped the shuttle bus to Lot C and we stopped a lot of operating expenses associated with Lot C and are kind of bringing people into the parking garage so now we are leasing some of these other areas for other users in the community that may need to have temporary storage. That is about \$5,000 a month and there's storage for vehicles there that they can't fit on their lot. We also have interests on Winston Street which is a property back behind the Holiday Inn and over by Summit Packaging where we have a license agreement with a company called WestRac. They are doing their due diligence and upon completion, should we identify a lease satisfactory to all parties, we will negotiate that. I will say that they are coming forward with an application to the Planning Department here for the proposed use, which will be for a pods storage facility. I don't know if you have seen those pods (portable on demand storage) but that is what they are proposing on that property. This property has been sitting vacant for a very long time and we have it marketed for lease for a very long time then all of a sudden we get a mad rush all at the same time with about four to five people interested in the property. We went with the first one that was in the door with a license agreement just to keep everyone out of trouble and that is who we are bringing forth to the Planning Commission. We have some other property interests that are out there; an additional parcel on the east portion of Winston Street is available as well as some interest in the Highlander area which if you are coming in on Ray Wieczorek Boulevard is all that area to the left over by the Executive Health and Sports Club. Those are in the very early stages but we will coordinate with the Londonderry Planning Commission but also bring that up to the aldermen at the appropriate time. GBAC (Global Biorisk Advisory Council) certification is a big victory for this Airport. This was a third party audit of about 20 different aspects of our cleaning policy, procedures, protocols, chemicals and our commitment to cleaning the facility. They came in as an outside entity, audited us and we became the 15th airport in the world recognized as a GBAC star facility and the only airport

recognized in New England. It is the belief of myself as well as the senior team that that consumer in the future will make their purchasing decisions based on their perception of an organization's commitment to their health. We think that it is going to rise up just as diversity, equity, inclusion, social responsibility, and corporate responsibility. Whatever values a person may have, we think this is going to be another value showing how committed an organization is to public health. We really wanted to get that third party stamp of approval on what we are doing, so I think this is a very big step in the right direction for the airport. We always knew we were clean but we are supposed to say. Having someone else come in and say you are doing it the right way is more powerful and that takes me to the next item which is a company called Fusion Cell that we started with in Windham, NH. They are a group of United States Air Force Chemical, Biological, Radiological, and Nuclear Engineers. If you think about the military they are designed to have pandemic responses for biological warfare, so we had them come in before the GBAC certification and they reviewed all our policies, procedures, our air handling, how many times are we changing the air in the building, etc. and found us to be very effective at providing a reliable and safe environment for employees, guests and tenants. There were a few things we needed to improve upon and we have closed that gap. We have also put out a Request for Information regarding UV technologies and systems. A lot of airports are finding it necessary to go with different manufacturers for their UVC cleaning. What we asked for is an enterprise wide solution. If an enterprise wide solution even existed out there, can we go to one provider and get the full spectrum of UV technologies versus having to have five, six or seven different vendors which will increase your operating costs and your capital costs as well. So we did receive some responses to that and we are evaluating those now. If we find it meets the intended goals of what we wanted to accomplish, then we will issue an RFP to the industry. I wanted to finish up really quick with some capital project updates. Taxiway Hotel is a 100% federally funded grant for design services; McFarland

and Johnson is working on that for us. They are now 90% in on design development drawings and this is going to fall on capital projects which if the \$1.9 trillion dollar bill gets passed by Congress and signed into law that will also be a 100% federal funded grant that will help straighten out the taxiway and bring it into the new FAA design standards. FAA about four to five years ago changed some of their standards so airports are slowly working through some of the geometry so that will be a project we will be bidding hopefully in the next month or so. I mentioned to you last time we had an issue where we were the first airport in the nation to kind of go through this scenario that we have which is a very unique scenario on the approach of 35. It went all the way up to FAA headquarters and they said we need to fix this because they didn't think through the policy or the designs 100% when they issued this new policy so that project has been designed and will soon go out to bid here in the next month as well. Inside the terminal we have the fire alarm replacement which is another 100% federal grant by the FAA to upgrade the entire terminal fire alarm system including the head end equipment and all the peripherals. Piquette and Howard are working on this for us. They had to go through a Buy American waiver from the FAA which they received back in January. They will be starting the construction of this in the next month or so. Of course for life safety purposes there will be an active fire alarm system throughout the entire upgrade. The last project is one that I am really excited about, which is replacing our main escalators. Those things have reached the end of their useful life and I think they passed that about 4-5 years ago. The up escalator is currently down for maintenance. This is a 100% federally funded project and will result in savings of our operating budget as we go through because it will be new technology, more reliable and therefore our preventative maintenance contract will be cheaper. The problem is it will take a while to get through this project because they want to physically disassemble the escalator then reassemble using the same frame instead

of ripping out the old one and bringing in a new one. They will rebuild it onsite. The first escalator will go down June 1- October 15.

Chairman Porter interjected that there is a Public Safety Committee meeting in about four and a half minutes.

Mr. Kitchens stated one more item. The 139 Inspection had no discrepancies. We were perfect for the second year in a row which is a good thing particularly considering the pandemic and how the FAA had to do their review. Kudos to the team. We are safe on the inside as shown by Fusion Cell as well as the GBAC star rating and you are safe out there on the runways as well due to the awesome team that we have. Any questions?

Chairman Porter asked do any committee members have any questions. Ted I just want to publically commend you and your team. My family and I flew out recently and returned back to Manchester. One of the things I definitely want to talk about or just give you a lot of credit for is when you talk about the cost when people go to the website and look at the flight cost. Then you factor in the travel to Boston or the inclement weather upon return. It was nice getting off the plane, getting bags and getting home within 5-10 minutes. I really want to compliment the cleanliness of the Airport. They are very strict on implementing the mandated mask wearing and the cleaning crews were out all over. We spent about an hour and half in the airport and I think I saw those crews working nonstop. I just want to give you a huge shout out as someone who went through and actually witnessed what you folks do on a daily basis; I am very impressed.

Mr. Kitchens stated thank you, I appreciate that. We have that commitment and it's not just us saying it, it's not just Ted saying, it you saw it, we live it and we breathe it. We believe our first priority as an airport is to make certain that we

have safe operations and safe has a new definition now. It's not just cleaning which means there's not a piece of trash in the corner, it has to be disinfected. That is the new paradigm that we are going to have. We take it very seriously and I am glad you had a positive experience. I will relay that to the team, I am sure they will be pleased to hear that.

Chairman Shaw stated thank you for all you do and your crew.

Mr. Kitchens stated thank you. I really think this cargo facility could change the trajectory of this airport. It is a key strategy of mine to get this thing signed and hopefully get some airplanes in there because that is certainly going to lower our operating costs. We started with all the aldermen here voting in favor of the restructuring of our debt. That was phase one and phase two is going to be this and that will hopefully lead to a new airline, or some airlines coming in here. So thank you very much.

*There being no further business, **Alderman Stewart** moved to adjourn. **Alderman Shaw** duly seconded the motion. Chairman Porter called for a vote. The motion carried on a unanimous roll call vote.*

A True Record. Attest

A handwritten signature in black ink, appearing to read "Matthew Hermans", with a stylized, flowing script.

Clerk of Committee